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June 2, 2006

Ms. Marlene H. Dortch
Secretary
Federal Communications Commission
445 12th Street, S.W.
Washington, DC 20554

Re: Written Ex Parte Presentation: CC Docket 96-45: Universal Service

Dear Ms. Dortch:

Verizon Wireless submits this letter to correct the record in this proceeding and respond to a claim as to the amount of interstate telecommunications traffic on Verizon Wireless' network.

On February 23, 2005, Tracfone submitted an ex parte letter attaching an excerpt of a study it commissioned from TNS Telecoms.¹ The study purported to estimate the amount of interstate traffic on the networks of various wireless carriers. TNS estimated that 37.1% of Verizon Wireless customers' minutes of use in the third quarter of 2004 were for interstate calls.

The TNS estimate seriously overstates the proportion of interstate minutes of use on Verizon Wireless' network. Moreover, the 37.1% estimate for Verizon Wireless in the TNS study is not a valid basis for revising the current safe harbor of 28.5% that the Commission permits wireless carriers to use to report their interstate telecommunications revenues, for the reasons discussed below. If the Commission wants to make changes in the current safe harbor or in the methods for wireless carriers to determine their contributions to the USF fund, it should not rely on the TNS study.

Verizon Wireless prepares its USF reports based on actual customer usage of its network, and has done so since the Commission adopted the current wireless safe harbor. In every quarter, the interstate usage *percentage* has remained *below* the 28.5% safe harbor. While Verizon Wireless' customers have increased their amount of interstate calling, their overall *percentage* of interstate usage, as compared to intrastate usage, has increased only slightly. This is explained by the fact that customers also increased their amount of local calling dramatically over this period, particularly with the exponential growth in family share plans and usage by teenagers. Thus while Verizon Wireless has

¹ Letter to Marlene H. Dortch, Secretary, FCC, from Mitchell F. Brecher, Counsel to Tracfone, February 23, 2005.

reported steady increases in interstate revenues, which have yielded large increases in its federal USF payments, it has not seen much change in its *percentage* of interstate revenues, which has consistently been below 28.5%, and far below TNS's estimate.

In 2002, Verizon Wireless adopted a methodology using its billing system data that enables the company to account for the origination and termination location for all voice calls made by its customers. Based on that information, it determines if a call is interstate or intrastate for USF reporting. In October 2002, in response to questions from FCC staff, Verizon Wireless filed in this docket a description of this methodology as a proposal that the Commission could adopt for wireless carriers to use to determine the percentage of their revenue to be treated as interstate for USF reporting purposes.² The FCC sought comment on this traffic study methodology in its December 2002 *Second Further Notice of Proposed Rulemaking*. Verizon Wireless filed comments in March 2003 supporting the use of its billing system-based traffic study approach to determine the percentage of interstate revenues.³

Unlike the Verizon Wireless traffic study, which captures the beginning and end points of literally billions of minutes per quarter throughout the United States, the TNS study is flawed and should not be relied on for changes to Commission policy. Tracfone itself acknowledges that there are "limitations of the TNS data."⁴

(1) TNS fails to provide details as to its study that could provide the Commission with a basis to assess statistical reliability. It is nonetheless clear that TNS captured a very small subset of wireless customer bills. TNS "harvested" bills from approximately 8,000 households, including a range of different types of bills (cable, IXC, internet, landline and wireless). But only an unidentified subset were for wireless service, and those bills were spread across at least eight carriers. The study does not disclose how many of the wireless bills belonged to Verizon Wireless customers, but they could only have represented a small fraction of the bills from the company's tens of millions of customers. It also only captured "outgoing" calls, meaning that a significant number of calls to wireless customers were not included.

(2) The study does not disclose the geographic location of the respondents to its survey, except to state that the survey was "national." Absent documentation that the study relied on statistically valid sampling techniques, it is not reliable. Obviously, if a large proportion of the respondents were from areas such as Washington, D.C., New York City or Philadelphia, one would expect the interstate revenue percentage to be skewed upwards. But the study provides no basis on which the Commission can assess the validity of the geographic sampling process.

² Letter to Marlene H. Dortch, Secretary, FCC, from L. Charles Keller, Counsel to Verizon Wireless, October 28, 2002 (copy attached).

³ *Federal-State Joint Board on Universal Service, Report and Order and Second Further Notice of Proposed Rulemaking*, CC Docket No. 96-45, released December 13, 2002; Comments of Verizon Wireless, filed February 28, 2003, at 5-7.

⁴ Tracfone February 23, 2005, ex parte letter, *supra* n. 1, at 2.

(3) The study reviewed only bill submissions from households and omitted business users. While Tracfone asserts that the omission of business traffic would underestimate interstate data, it provides no facts to support that claim. To the contrary, many business users of wireless services, such as local construction, home repair and real estate companies, are heavy local (or certainly intrastate) users. Wireless companies that compete by promoting service to business users may thus show higher *intrastate* use.

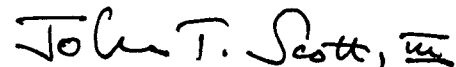
(4) By using the originating NPA of the outgoing wireless call as opposed to the originating cell site to determine the start point of a call, TNS further undermined the accuracy of its study, since mobile customers cannot be assumed to be calling from the location of their number's NPA.

If the Commission decides to make any changes to its USF policies for wireless carriers, it should not do so based upon the TNS study. Even more importantly, to avoid unlawfully assessing universal service on intrastate revenues, the Commission should also continue to allow wireless carriers to determine their interstate revenue percentage by conducting company specific traffic studies. Verizon Wireless agrees with Tracfone that reliance on actual interstate traffic data is the most appropriate means of determining wireless carriers' interstate revenues for purposes of USF reporting.

Verizon Wireless' methodology to determine interstate usage, which it submitted to the Commission in 2002 and on which the Commission sought comment in the *Second Further Notice*, has been used for several years now to pay steadily increasing universal service assessments. It can serve as a baseline standard for the Commission and USAC to employ in determining the reasonableness of carrier studies. The Commission can use its existing audit powers to ensure that carriers that rely upon traffic studies pay their fair share into the Federal Universal Service Fund.

Pursuant to Section 1.1206 of the Commission's rules, a copy of this letter is being filed via ECFS. Should you have any questions, please contact the undersigned.

Respectfully,

A handwritten signature in black ink that reads "John T. Scott, III". The signature is written in a cursive, slightly stylized font. The "J" is large and loops around the "o". The "T" is simple and vertical. The "S" is a continuous loop. The "Cott" is written in a cursive script. The "III" is written in a simple, slightly slanted font.

John T. Scott, III

Attachment

cc: Thomas Navin
Jeremy Marcus
Daniel Gonzalez
Fred Campbell
Ian Dillner
Aaron Goldberger
Dana Shaffer
Barry Ohlson
Scott Bergman
Scott Deutchman
Bruce Gottlieb

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October 28, 2002

Marlene H. Dortch, Secretary
Federal Communications Commission
445 Twelfth Street, SW
Washington, DC 20554

Re: *Ex parte communication, Universal Service Contribution Methodology*
(CC Docket Nos. 96-45, 98-171, 90-571, 92-237, 99-200, 95-116, 98-170,
and NSD File No. L-00-72)

Dear Ms.Dortch:

This is to advise you, on behalf of Verizon Wireless, that on this date the attached document was sent via electronic mail to the individuals copied on this letter. The attached describes, in response to questions from the staff, a methodology that could be used for wireless carriers to determine the percentage of their revenue that is interstate, for individual reporting purposes or to form the basis for a revised safe harbor.

Please direct any questions regarding this filing to the undersigned.

Very truly yours,

WILKINSON BARKER KNAUER, LLP

By: /s/
L. Charles Keller

Attachment

cc:	Christopher Libertelli	William Maher	Thomas Sugrue
	Matthew Brill	Eric Einhorn	James Schlichting
	Jordan Goldstein	Diane Law Hsu	Jeffrey Steinberg
	Daniel Gonzalez	Paul Garnett	Rose Crellin

PROPOSED METHODOLOGY FOR DETERMINING WIRELESS INTERSTATE AND INTERNATIONAL REVENUE FOR PURPOSES OF USF

A safe harbor can play an important role in minimizing the complexity and administrative cost of wireless carriers contributing to the USF due to the difficulty in segmenting end-user revenues into “interstate” and “intrastate” categories. With software and system upgrades and baseline assumptions, wireless carriers can track interstate and intrastate minutes of use. The minutes of use ratio can form a reasonable proxy for allocating wireless revenues for purposes of USF. A safe harbor, updated to reflect current wireless calling activity, furthers the policy objectives of promoting equitable contributions, fund stability and administrative simplicity.

Calling patterns can vary by state and by carrier. Therefore, carriers should be allowed to file an interstate/international revenue calculation based on company-specific calling patterns if they have implemented a system to track their traffic. Carriers could develop systems based upon a Commission- approved methodology and could be required to retain records used to develop their company-specific levels to support periodic auditing.

Proposed Call Detail Tracking Methodology

- I. Track customers’ minutes of use from call detail records. Divide all interstate and international minutes by total minutes over a defined period of time to calculate a percentage of interstate and international minutes of use.
 - a. Derive the location of the billed subscriber from the cell site information. From call detail records, collect call information through switches at the cell site level. Measure mobile calls where the carrier’s customer crosses state boundaries during a call by the state location of the cell site where the call began.
 - b. Determine the “other-end” location by the “other-end” area code. In some cases, the “other-end” NPA may not be provided by the other carrier. Carriers could be instructed to omit calls that do not provide other-end NPA data for purposes of calculating the MOU ratio. However, carriers would still include telecomm revenue associated with covered calls in the final calculation of interstate and international end-user telecomm revenues.
 - c. Count minutes for access to services, such as abbreviated dialing (e.g., *86, 411), where the wireless routing is all intrastate, as intrastate due to the local routing of the calls. Note, these calls do not represent a significant portion of total minutes of use.

- d. Maximize use of available data by including roaming minutes recorded in call detail records (i.e., other carriers' customers roaming on the reporting carrier's network). Include roaming revenues received from end users among the revenues to be allocated based on the MOU percentage.
- II. Multiply the Interstate/International MOU percentage by all qualifying end-user revenues (i.e., telecommunications service revenues) to determine a carrier's total assessable interstate/international revenue base.